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UNCLAS HO CHI MINH CITY 000143

SIPDIS

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TREASURY FOR OASIA
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SUBJECT: VIETNAM TO GROW EVEN FASTER SAY HCMC LEADERS

REF: Hanoi 256

¶1. (U) SUMMARY: Ho Chi Minh City leaders reported to the Consular Corps that the Party Central Committee Plenum had endorsed the goal of raising Vietnam's GDP from LDC levels by 2010. Consul General observed that this implied a growth rate of about 15 percent (to raise per capita GDP from just under USD500 to USD900 by 2010.) Peoples' Committee Chairman Le Thanh Hai said that HCMC's economy grew by 11.6 percent in 2004, well above the national average of 7.5 percent, and he discussed plans to accelerate growth and development further. The Chairman's statement clearly reiterated an ambitious growth goal put forward by Party General Secretary Nong Duc Manh in his address to the Central Committee Plenum. END SUMMARY.

¶2. (U) On February 3, leaders of the Ho Chi Minh City government gathered members of the consular corps and representatives of foreign business to make their annual report on HCMC's economic progress in the past year and to announce their economic targets for the coming year. According to HCMC People's Committee Chairman Le Thanh Hai, HCMC's economy grew by 11.6 percent in 2004, the highest rate of growth in the last four years. Almost half of all exports from Vietnam last year came from HCMC. And of the \$3 billion in overseas remittances to Vietnam in 2004, \$1.8 billion flowed into to the city. HCMC attracted USD 700 million in new foreign direct investment (FDI), and total new investment flows in the city reached VND 43 trillion (about USD 2.7 billion). Chairman Hai also reported that HCMC exceeded its target for contributing revenue to the government budget, raising VND 49 trillion (around USD 3.1 billion) in 2004. (NOTE: Experts from the HCMC Institute of Economic Research have told us in the past that HCMC's revenues generally account for more than half the GVN budget. END NOTE.)

¶3. (U) Chairman Hai noted that, despite these accomplishments, the Ho Chi Minh City still suffers from some "weaknesses." He said the process of doi moi, or economic liberalization, is proceeding too slowly, particularly in the area of services. Only 20 percent of HCMC's service sector is "high-end" services like banking and insurance. Hai also criticized the slow pace of infrastructure development and administrative reform.

¶4. (U) Looking ahead, Hai said the city's economy should grow at 12 percent in 2005. Hai also echoed the economic growth goal announced by Communist Party General Secretary Nong Duc Manh at the 11th Plenum of the 9th Party Congress held January 17-25. According to Hai, the GVN aims to have Vietnam move off the list of least developed countries by 2010. Vietnam needs to accelerate the doi moi process and shorten the period of modernization, Hai said.

¶5. (U) COMMENT: HCMC's impressive growth and investment numbers are what we have come to expect from Vietnam's economic powerhouse. What is notable about Chairman Hai's presentation, however, is his making clear an explicit national goal of moving beyond least developed economic levels in five years. While Vietnam's human resource base and export diversification keep it off of the UN official LDC roster, its per capita GDP of under USD 500 is well below the USD 900 level which is the official graduation point.

WINNICK